Supreme Court, U.S.
FILED
DEC 16 2015
OFFICE OF THE CLERK

Nos. 14-1513 & 14-1520

In the Supreme Court of the United States

HALO ELECTRONICS, INC.,
PETITIONER,

v.

PULSE ELECTRONICS, INC., PULSE ELECTRONICS CORPORATION,
RESPONDENT.

STRYKER CORPORATION, STRYKER PUERTO RICO, LTD., AND STRYKER SALES CORPORATION,
PETITIONER,

v.

ZIMMER, INC. AND ZIMMER SURGICAL, INC.,
RESPONDENT.

ON WRITS OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR *AMICUS CURIAE* ERICSSON INC. IN SUPPORT OF NEITHER PARTY

JOEL L. THOLLANDER
JOHN B. CAMPBELL
(Admission Pending)
MCKOOL SMITH, P.C.
300 W. 6th Street, Suite 1700
Austin, TX 78701
(512) 692-8700

MIKE MCKOOL, JR.
Counsel of Record
MCKOOL SMITH, P.C.
300 Crescent Court, Suite 1500
Dallas, TX 75201
(214) 978-4900
mmckool@mckoolsmith.com

Counsel for Amicus Curiae

CORPORATE DISCLOSURE STATEMENT

Ericsson Inc. is wholly-owned by Ericsson Holding II Inc., which in turn is wholly-owned by Telefonaktiebolaget LM Ericsson. Telefonaktiebolaget LM Ericsson is publicly held and trades in the United States through American Depository Receipts under the name LM Ericsson Telephone Company.

TABLE OF CONTENTS

Page

CORPORATE DISCLOSURE STATEMENT i

TABLE OF AUTHORITIES ii

STATEMENT OF INTEREST 1

SUMMARY OF ARGUMENT 2

ARGUMENT 6

I. THE FEDERAL CIRCUIT HAS ERECTED A PRACTICALLY INSURMOUNTABLE BAR TO THE AWARD OF ENHANCED DAMAGES 6

II. THE COURT'S PRECEDENTS INDICATE THAT THE BAR HAS BEEN SET TOO HIGH 11

III. THE UNAVAILABILITY OF ENHANCED DAMAGES HAS FOSTERED PATENT HOLD-OUT AND DIMINISHED RESPECT FOR INTELLECTUAL PROPERY RIGHTS 14

IV. BUT IN DECIDING THIS CASE, THE COURT SHOULD NOT SET THE BAR TOO LOW 15

A. District Courts Should Have a Standard to Guide the Enhancement of Damages 16

B. The Standard Should Advance the Punitive and Deterrent Purposes of Damages Enhancement 18

C. To Advance These Purposes, the Standard Should Require Willful or Bad-Faith Infringement—Including Knowledge of the Patent Combined With Culpable Conduct 22

D. With a Proper Standard in Place, the Federal Circuit's Additional Barriers to Enhancement Are Not Needed 25

CONCLUSION 28

TABLE OF AUTHORITIES

Page(s)

CASES

Apple Inc. v. Motorola, Inc.,
757 F.3d 1286 (Fed. Cir. 2014) 14

Aro Mfg. Co. v. Convertible Top Replacement Co.,
377 U.S. 476 (1964) 22, 23

Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.,
682 F.3d 1003 (Fed. Cir. 2012) 10, 28

Beatrice Foods Co. v. New Eng. Printing & Litho. Co.,
923 F.2d 1576 (Fed. Cir. 1991) 20, 21, 23

Bott v. Four Star Corp.,
807 F.2d 1567 (Fed. Cir. 1986) 5, 10, 24, 27

Brooks Furniture Manufacturing, Inc. v. Dutailier Int'l, Inc.,
393 F.3d 1378 (Fed. Cir. 2005) 11

Carnegie Mellon Univ. v. Marvell Tech. Group, Ltd., No. 14-1492, 2015 U.S. App. LEXIS 13622 (Fed. Cir. Aug. 4, 2015) ..... passim

Commil USA, LLC v. Cisco Sys.,
135 S. Ct. 1920 (2015) ..... passim

Cooter & Gell v. Hartmarx Corp.,
496 U.S. 384 (1990) 28

Dowling v. United States,
473 U.S. 207 (1985) 22

Exxon Shipping Co. v. Baker,
554 U.S. 471 (2008) 20

Global Traffic Techs., LLC v. Morgan,
No. 14-1537, 2015 U.S. App. LEXIS
9281 (Fed. Cir. June 4, 2015) 10, 26

GM Corp. v. Devex Corp.,
461 U.S. 648 (1983) 17

Halo Elecs., Inc. v. Pulse Elecs., Inc.,
769 F.3d 1371 (Fed. Cir. 2014) 10, 11, 26

Highmark Inc. v. Allcare Health Mgmt. Sys.,
134 S. Ct. 1744 (2014) ..... passim

In re Innovatio IP Ventures,
No. 11-CV-9308, 2013 U.S. Dist. LEXIS
144061 (N.D. Ill. Sept. 27, 2013) 14

In re Seagate Tech., LLC,
497 F.3d 1360 (Fed. Cir. 2007) ..... passim

Independent Fed'n of Flight Attendants v. Zipes,
491 U.S. 754 (1989) 16

Jurgens v. CBK, Ltd.,
80 F.3d 1566 (Fed. Cir. 1996) 7, 20, 23, 25

*Knorr-Bremse Systeme Fuer
Nutzfahrzeuge GmbH v. Dana Corp.*,
383 F.3d 1337 (Fed. Cir. 2004) 8

Lorillard v. Pons,
434 U.S. 575 (1978) 17

Martin v. Franklin Capital Corp.,
546 U.S. 132 (2005) 16

Mathis v. Spears,
857 F.2d 749 (Fed. Cir. 1988) 20

Octane Fitness, LLC v. ICON Health & Fitness, Inc.,
134 S. Ct. 1749 (2014) ..... passim

Read Corp. v. Portec, Inc.,
970 F.2d 816 (Fed. Cir. 1992) 5, 20, 24

Rite-Hite Corp. v. Kelley Co.,
819 F.2d 1120 (Fed. Cir. 1987) ..... passim

Root v. Ry. Co.,
105 U.S. 189 (1882) 19

Seymour v. McCormick,
57 U.S. 480 (1854) ..... passim

Stryker Corp. v. Zimmer, Inc.,
782 F.3d 649 (Fed. Cir. 2015) 8, 9, 10, 14

Teese v. Huntingdon,
64 U.S. 2 (1860) 18, 21, 22, 23

Tilghman v. Proctor,
125 U.S. 136 (1888) 19

Uniloc USA, Inc. v. Microsoft Corp.,
632 F.3d 1292 (Fed. Cir. 2011) 9

Yarway Corp. v. Eur-Control USA, Inc.,
775 F.2d 268 (Fed. Cir. 1985) 7, 23

STATUTES

35 U.S.C. § 284 ..... passim

35 U.S.C. § 285 ..... passim

Patent Act of 1836, Chapter 357, 5 Stat. 117
(1836) 17, 19

Patent Act of 1870, Chapter 230, 16 Stat. 198
(1870) 17

OTHER AUTHORITIES

Colleen Chien, *Holding Up and Holding Out*,
21 MICH. TELECOMM. & TECH. L. REV. (2014) 14

Collen Chien, *The Best Way to Fight a Patent Demand May Be to do Nothing*,
WALL STREET JOURNAL (Nov. 23, 2015) 15

Supreme Court Rule 37.3 1

Supreme Court Rule 37.6 1

STATEMENT OF INTEREST[1]

Amicus curiae Ericsson Inc. is a leading supplier of wireless network equipment, a leading developer of wireless technologies, and both a licensor and licensee of many substantial patents in the telecommunications industry. With more than 100,000 employees globally, Ericsson is a pioneer of the modern cellular network. Over 1,000 networks in more than 180 countries use Ericsson equipment, and a significant portion of the world's mobile traffic passes through these networks. Ericsson currently devotes more than 20,000 employees and roughly five billion dollars a year, almost 15% of its net sales, to research and development—and Ericsson's innovations have been rewarded with over 37,000 issued patents worldwide. Ericsson employs more than 10,000 people in the United States and supplies network equipment and/or services to every major U.S. telecommunications operator from offices located throughout the country.

As both a licensor and a licensee, Ericsson has a substantial interest in the development of fair and balanced rules governing patent enforcement. Ericsson files this *amicus* brief to address the important issue of damages enhancement raised in these appeals. In particular, Ericsson urges the Court to chart a middle course between those who

---

[1] Pursuant to Supreme Court Rule 37.6, *amicus curiae* states that no counsel for any party authored this brief in whole or in part and that no entity or person, aside from *amicus curiae* and its counsel, made any monetary contribution toward the preparation or submission of this brief. Pursuant to Supreme Court Rule 37.3, counsel of record for all parties have consented to this filing in letters on file with the Clerk's office.

might advocate maintaining the Federal Circuit's current, heavily-glossed approach to enhancement of patent-infringement damages under 35 U.S.C. § 284—which sets the bar far too high—and those who might advocate an exclusive focus on the discretionary language of § 284—which, lacking an express standard, would set the bar far too low.

SUMMARY OF ARGUMENT

District courts possess statutory authority to award enhanced damages for patent infringement: the statute provides simply that "the court may increase the damages up to three times the amount found or assessed." 35 U.S.C. § 284. For many years, the Federal Circuit held that damages could be enhanced under this provision in cases of "willful infringement," or those in which the infringer acted in "bad faith." This was a fundamentally factual determination based on the totality of the circumstances, subject to proof by a preponderance of the evidence, and reviewed for abuse of discretion.

Over the last decade, the Federal Circuit completely reshaped its enhancement jurisprudence. It rejected a disjunctive test in favor of a test focused solely on willful infringement. It established a new "objective recklessness" requirement that cannot be met when the infringer presents a reasonable defense, including an invalidity defense, in the litigation. It further determined that the infringer need not have considered the presented defense—nor any defense—during the infringement; the infringer could, in short, have fully intended to infringe. The Federal Circuit also rejected a preponderance standard for proof of willfulness, deciding that patentees must show entitlement to an award under § 284 by clear and convincing evidence. Finally, the

Federal Circuit reversed course on the standard of review, and held that a district court's determination under § 284 would be reviewed *de novo*.

These numerous decisions have collectively erected a practically insurmountable bar to the award of enhanced damages: patent litigation is complex and competent counsel typically can be expected to cobble together a non-frivolous invalidity argument for purposes of litigation. The Federal Circuit has thus rendered § 284 largely toothless. What remains of enhanced-damages jurisprudence has little bark, and virtually no bite. Infringers have taken notice, and the unavailability of enhanced damages has fostered patent hold-out and a diminished respect for intellectual property rights.

Three of this Court's recent opinions—in *Octane*, *Highmark*, and *Commil*—suggest that § 284 cannot support the many layers of gloss that the Federal Circuit has applied to this statutory provision. *Octane* suggests that the Federal Circuit's new "objective recklessness" test "superimposes an inflexible framework onto statutory text that is inherently flexible," and further that "nothing in [the statute] justifies" application of the clear-and-convincing evidentiary standard in this context. *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1755-56, 1758 (2014). *Highmark* calls into question the Federal Circuit's decision to review § 284 determinations *de novo*. *Highmark Inc. v. Allcare Health Mgmt. Sys.*, 134 S. Ct. 1744, 1748-49 (2014). And *Commil* suggests that, contrary to the Federal Circuit's current case law, a non-frivolous (though losing) argument that a patent is *invalid* cannot constitute an objectively reasonable defense

to otherwise intentional infringement. *Commil USA, LLC v. Cisco Sys.*, 135 S. Ct. 1920, 1928-29 (2015).

In light of these recent opinions, and because the Federal Circuit has set the bar for enhanced damages far too high, the Court should reject the Federal Circuit's current approach to § 284. But Ericsson also encourages the Court, in deciding these appeals, to ensure that the new bar is not set too low.

In particular, Ericsson expects some *amici* to argue that, because § 284 contains no explicit standard, the Court should simply leave damages enhancement to the unfettered discretion of the district courts. Ericsson disagrees. While the district courts certainly have statutory discretion in this area, that discretion must be guided by clear legal standards. Those legal standards should be drawn from the objectives for, and the historical judicial approach to, statutory enhancement. And they should be elucidated by the Court in these appeals.

Ericsson also expects some *amici* to argue that these legal standards should encompass punitive *and* remedial purposes for damages enhancement. Ericsson disagrees. To be sure, language in some of the decisional authority suggests that—at an earlier point in time—damages for patent infringement could be enhanced for remedial as well as punitive reasons. But the great weight of authority indicates that only punitive and deterrent purposes should justify such enhancement. And while at one time enhancement was needed to ensure that the patentee received sufficient compensation, the statute now explicitly provides that the patentee will be awarded "damages adequate to compensate for the infringement." 35 U.S.C. § 284. The Court should thus hold that enhancement is designed to punish

and deter culpable conduct. Permitting enhancement for remedial purposes sets the bar too low, and unfairly threatens to make the "defendant who acted in ignorance or good faith * * * liable to the same penalty as the wanton and malicious pirate." *Seymour v. McCormick*, 57 U.S. 480, 488 (1854).

To ensure that § 284 advances punitive and deterrent purposes, Ericsson encourages the Court to hold, in line with prior case law, that enhancement is appropriate for willful or bad-faith infringement. It may be neither possible nor proper for the Court to fully delineate the contours of willful or bad-faith infringement in these appeals, but the Federal Circuit's decisions in *Bott* and *Read* provide a helpful starting point. Those cases list factors that may be considered, with "the totality of the circumstances," in "determining whether an infringer acted in [such] bad faith as to merit an increase in damages awarded against him." *Bott v. Four Star Corp.*, 807 F.2d 1567, 1572 (Fed. Cir. 1986); *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 830 (Fed. Cir. 1992). These factors will doubtless require some revision in light of the Court's recent case law. In Ericsson's view, enhancement under § 284 should require, in addition to infringement, knowledge of the patent combined with culpable conduct. And culpable conduct could include deliberate copying, a refusal to investigate or engage with the patentee in good faith, or other behavior that fails to reflect a reasonable respect for intellectual property rights.

With a proper legal standard in place, the Federal Circuit's additional barriers to enhancement are not needed. While objective recklessness is certainly a sufficient condition for damages enhancement under § 284, it should not be a necessary condition. And

this Court's recent rejections of the clear-and-convincing standard and *de novo* review in the fee-award context mandate a similar rejection of the clear-and-convincing standard and *de novo* review in the enhancement context.

In short, the Court should chart a middle course in these appeals: tearing down much of the high wall that has been erected around § 284 by the Federal Circuit, but not razing that wall to its foundations. Enhancement of patent-infringement damages should be available in cases of willful or bad-faith infringement, but not otherwise. And while § 284 enhancement should not be employed for remedial purposes, it should be employed to encourage the presence, and to punish and deter the absence, of a reasonable respect for intellectual property rights.

ARGUMENT

I. THE FEDERAL CIRCUIT HAS ERECTED A PRACTICALLY INSURMOUNTABLE BAR TO THE AWARD OF ENHANCED DAMAGES

The statute authorizing enhanced damages for patent infringement provides simply that "the court may increase the damages up to three times the amount found or assessed." 35 U.S.C. § 284.

The absence of any explicit standard in the statute makes some judicial gloss inevitable and necessary. But the Federal Circuit has layered gloss upon gloss, and requirement upon requirement, until the present standard has become a virtually impenetrable wall protecting infringers from any genuine threat of enhanced damages—even when the infringers "knew of the patents," "knew or should have known" that their "actions would infringe," and "acted in a subjectively reckless manner with respect

to" their infringement. *Carnegie Mellon Univ. v. Marvell Tech. Group, Ltd.*, No. 14-1492, 2015 U.S. App. LEXIS 13622, at *36 (Fed. Cir. Aug. 4, 2015). This statute, which should make enhancement available to punish and deter culpable infringing conduct, has been rendered a virtual dead letter.

Willful infringement .... In the mid-1980s, Federal Circuit case law held that damages could be enhanced under § 284 in cases of "willful infringement" or those in which the infringer acted in "bad faith." *Yarway Corp. v. Eur-Control USA, Inc.*, 775 F.2d 268, 277 (Fed. Cir. 1985) ("It is well-settled that enhancement of damages must be premised on willful infringement or bad faith."). This was explicitly a *disjunctive* test. *See id.* ("Here the court specifically held that there existed no willful infringement, and thus we concern ourselves here only with the bad faith issue."); *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1126 (Fed. Cir. 1987) (en banc) ("Whether or not 'willfulness' is found, the court has authority to consider the degree of culpability of the tortfeasor.").

In the mid-1990s, the Federal Circuit diminished the significance of the test's ostensible disjunction, holding that "'bad faith' is more correctly called 'bad faith infringement,' and it is merely a type of willful infringement." *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1569-71 (Fed. Cir. 1996). Thus the standard for enhanced damages under § 284 came to focus singularly on willful infringement. *Id.* at 1571.

Even with the singular focus on willful infringement, the Federal Circuit acknowledged until the mid-2000s that the "[d]etermination of willfulness is made on consideration of the totality of circumstances," and may "include contributions of

several factors" measuring the infringer's culpability. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1342-43 (Fed. Cir. 2004). That is, the court continued to stand by its observation that "'willfulness' in infringement, as in life, is not an all-or-nothing trait, but one of degree. It recognizes that infringement may range from unknowing, or accidental, to deliberate, or reckless, disregard of a patentee's legal rights." *Id.* at 1343 (citing *Rite-Hite*, 819 F.2d at 1125-26).

Requiring objective recklessness .... The Federal Circuit effected a sea change in the law of enhanced damages with *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc). Rejecting a holistic, totality-of-the-circumstances approach to willful infringement, the court introduced a new objective/subjective two-prong test that required the patentee to prove, first, "that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." *Id.* at 1371. The infringer's actual knowledge, beliefs, and intentions are "not relevant to this objective inquiry." *Id.* If this "threshold objective standard is satisfied," then "the patentee must also demonstrate," second, "that this objectively defined risk" was subjectively "either known or so obvious that it should have been known to the accused infringer." *Id.* at 1371.

The Federal Circuit in *Seagate* left "it to future cases to further develop the application of this standard." *Id.* And subsequent cases have added to the gloss, explaining that the first prong—"objective recklessness"—"will not be found where the accused infringer's 'position is susceptible to a reasonable conclusion of no infringement.'" *Stryker Corp. v. Zimmer, Inc.*, 782 F.3d 649, 661 (Fed. Cir. 2015)

(citing *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1310 (Fed. Cir. 2011)). In addition, "objective recklessness" will not be found "when the infringer, whatever its state of mind at the time of its infringement, presents in the litigation a defense, including an invalidity defense, that is objectively reasonable (though ultimately rejected)." *Carnegie Mellon*, 2015 U.S. App. LEXIS 13622, at *36. And "present[ed] in the litigation" does not require that the defense "be presented to the jury," as the court has found "objectively reasonable" defenses that do "not make the cut for consuming the precious time and attention of the jury." *Id.* at *41-42.

Under the "objective recklessness" prong as developed by the Federal Circuit, an infringer actually intending to infringe is fully immunized from enhanced damages so long as it can muster in the litigation a defense (based on noninfringement or invalidity) that is not only a losing defense, but is judged to be less meritorious—and less worthy of consuming precious trial time—than the losing defenses actually presented to the jury. *Id.*

Subject to clear and convincing proof .... As it has developed, the first prong of the Federal Circuit's two-prong test raises a virtually insurmountable bar to the award of enhanced damages under § 284: patent litigation is complex and competent counsel typically can be expected, at the very least, to gin up a non-frivolous invalidity argument. *Id.*; *Stryker*, 782 F.3d at 662. Yet the Federal Circuit has raised the bar even higher, and has held that patentees must prove that the two-prong test for willful infringement is satisfied with *clear and convincing* evidence. *Seagate*, 497 F.3d at 1371; *Carnegie Mellon*, 2015 U.S. App. LEXIS 13622, at *36.

And reviewed *de novo* .... Prior to *Seagate*, the Federal Circuit had long held that "a finding of willful infringement" was fundamentally factual, and thus "reviewable under the clearly erroneous standard." *Bott v. Four Star Corp.*, 807 F.2d 1567, 1572 (Fed. Cir. 1986). And a district court's fact-based decision with respect to enhancement would "not be overturned absent a clear showing of abuse of discretion." *Rite-Hite*, 819 F.2d at 1126. In 2012, the Federal Circuit changed course, and held that—with respect to the first prong of its new willfulness test—the presence of objective recklessness is "best decided by the judge as a question of law subject to *de novo* review." *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, 682 F.3d 1003, 1007 (Fed. Cir. 2012); *Stryker*, 782 F.3d at 661.

Applying this new, many-layered gloss to § 284, the Federal Circuit has held that enhanced damages are unavailable as a matter of law whenever the infringer can "raise a substantial question as to the obviousness of the * * * patents," *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 769 F.3d 1371, 1382-83 (Fed. Cir. 2014), or is otherwise able to muster "good-faith invalidity defenses once litigation beg[ins]," *Global Traffic Techs., LLC v. Morgan*, No. 14-1537, 2015 U.S. App. LEXIS 9281, at *19-20 (Fed. Cir. June 4, 2015)—without any requirement "that the infringer had [any] defense in mind before the litigation," *Carnegie Mellon*, 2015 U.S. App. LEXIS 13622, at *41. In short, even when the infringer has knowledge of the patent and acts in bad-faith throughout the infringement period, no enhancement of damages is possible so long as the infringer's counsel can cobble together a Rule 11 invalidity argument just prior to

trial. *Cf.* FED. R. CIV. P. 11 (allowing sanctions for the assertion of unsupported defenses).

II. THE COURT'S PRECEDENTS INDICATE THAT THE BAR HAS BEEN SET TOO HIGH

Three of this Court's recent decisions—in *Octane*, *Highmark*, and *Commil*—suggest that § 284 cannot support the many-layered barrier that the Federal Circuit has erected on top of the statute's straightforward provision for the award of enhanced damages. *Octane*, 134 S. Ct. at 1752-56; *Highmark*, 134 S. Ct. at 1748; *Commil*, 135 S. Ct. at 1928-29.

1. *Octane* addressed the Federal Circuit's approach to 35 U.S.C. § 285, which provides that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." *Octane*, 134 S. Ct. at 1752. The Federal Circuit had devised an objective/subjective two-prong test for the award of attorney fees under § 285 that was much like the objective/subjective two-prong test it developed for the enhancement of damages under § 284. *See Brooks Furniture Manufacturing, Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005) ("[fees] may be imposed against the patentee only if both (1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively baseless"); *see also Halo*, 769 F.3d at 1384 ("our willfulness test, as described in *Seagate* and *Bard*, and our old § 285 test, under *Brooks Furniture*, both were predicated on our interpretation of [the Court's precedent], which we believed required a two-step objective/subjective inquiry before either enhanced damages or attorneys' fees could be awarded") (O'Malley, J., concurring).

This Court rejected the Federal Circuit's two-prong gloss on § 285 as "unduly rigid," noting that it

"superimposes an inflexible framework onto statutory text that is inherently flexible." *Octane*, 134 S. Ct. at 1755-56. Looking to the statutory text, the Court found that "[i]t imposes one and only one constraint on the district courts' discretion to award attorney's fees in patent litigation: The power is reserved for 'exceptional' cases." *Id.* And construing that term in accordance with its ordinary meaning, the Court held "that an 'exceptional' case is simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Id.* at 1756. Furthermore, courts must make this exceptional-case determination "in the case-by-case exercise of their discretion, considering the totality of the circumstances." *Id.*

The Court in *Octane* also "reject[ed] the Federal Circuit's requirement that patent litigants establish their entitlement to fees under § 285 by 'clear and convincing evidence.'" *Id.* at 1758. The Court noted that "patent-infringement litigation has always been governed by a preponderance of the evidence standard," and that "nothing in § 285 justifies" application of the clear-and-convincing evidentiary burden to fee award determinations. *Id.*

2. *Highmark* addressed the same provision, and rejected the Federal Circuit's decision to review § 285 determinations—at least the objective prong of those determinations—*de novo* on appeal. 134 S. Ct. at 1748. Noting that, *inter alia*, the statute "emphasizes the fact that the determination is for the district court," and the relevant inquiry is "rooted in factual determinations," this Court concluded that "the

exceptional-case determination is to be reviewed only for abuse of discretion." *Id.* at 1748-49.

3. *Commil* addressed a different question: "whether a good-faith belief in invalidity is a defense to induced infringement." 135 S. Ct. at 1925. The Court concluded that "[i]t is not." *Id.* at 1928. Because "infringement and invalidity are separate matters under patent law," the Court reasoned that "permitting a defense of belief in invalidity" would improperly "conflate the issues of infringement and validity." *Id.* The Court further observed that "[a]llowing this new defense" to induced infringement "would also undermine [the] presumption" of patent validity "to a drastic degree." *Id.* at 1928-29. That presumption requires infringers to prove patent invalidity by clear and convincing evidence. Permitting a mere good-faith belief in invalidity to serve as a defense to infringement would "circumvent" this high evidentiary bar, and "undermine" the statutory presumption. *Id.*

Each of these cases casts doubt on the Federal Circuit's many-layered approach to § 284. *Octane* suggests that the objective/subjective two-prong test applied by the Federal Circuit "superimposes an inflexible framework onto statutory text that is inherently flexible." 134 S. Ct. at 1755-56. *Octane* also suggests that, as in § 285, nothing in § 284 justifies application of the clear-and-convincing burden of proof to enhancement findings. *Id.* at 1758. *Highmark* similarly calls into question the Federal Circuit's decision to review § 284 determinations *de novo*. 134 S. Ct. at 1748-49. Finally, *Commil* suggests that, contrary to the Federal Circuit's current case law, a non-frivolous (though losing) argument that a patent is invalid cannot be an objectively reasonable

defense to infringement. 135 S. Ct. at 1928-29. Thus, even under the Federal Circuit's current approach to § 284 enhancement, a reasonable though ultimately unfounded belief in invalidity cannot supply the requisite "susceptib[ility] to a reasonable conclusion of no infringement." *Stryker*, 782 F.3d at 661.

III. THE UNAVAILABILITY OF ENHANCED DAMAGES HAS FOSTERED PATENT HOLD-OUT AND DIMINISHED RESPECT FOR INTELLECTUAL PROPERTY RIGHTS

The Federal Circuit's current approach to § 284 is not only misguided as a matter of law; it is misguided as a matter of policy. Infringers have taken notice of the new protections that they have been afforded, and the Federal Circuit's many-layered gloss on damages enhancement has thus had the practical effect of fostering patent "hold-out" and diminishing respect for patent rights.

Patent hold-out describes the "practice of companies routinely ignoring patents and resisting patent owner demands because the odds of getting caught are small." Colleen Chien, *Holding Up and Holding Out*, 21 MICH. TELECOMM. & TECH. L. REV. 1 (2014); *see also Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1333 (Fed. Cir. 2014) (Rader, C.J., dissenting-in-part) (describing hold-out as the circumstance in which the user of a patented technology "seek[s] to avoid a license based on the value that the technological advance contributed to the prior art"); *In re Innovatio IP Ventures*, No. 11-CV-9308, 2013 U.S. Dist. LEXIS 144061, at *70 (N.D. Ill. Sept. 27, 2013). Patent hold-out is necessarily "disruptive," and is particularly pernicious in the context of standard-essential patents and the standard-development regime. *Apple*, 757 F.3d at 1333.

The removal of any genuine threat of damages enhancement has increased the frequency of patent hold-out, and emboldened infringers to reject good-faith attempts to reach licensing agreements. Infringers understand that under the Federal Circuit's current approach to enhanced damages, they will almost certainly be liable for no more than a reasonable royalty. The best course of action for the infringer is thus often inaction—this allows for the possibility that the patent holder will not have the resources to litigate. Indeed, recent research reflects that, upon receiving written notice of prospective infringement, many companies "do nothing." Colleen Chien, *The Best Way to Fight a Patent Demand May Be to do Nothing*, WALL STREET JOURNAL, available at http://www.wsj.com/articles/the-best-way-to-fight-a-patent-demand-may-be-to-do-nothing-1448248065 (Nov. 23, 2015). This approach makes litigation a necessity. *See, e.g., Wisconsin Alumni Research Foundation v. Apple Inc.*, No. 14-CV-0062 (Dkt. No. 1, ¶ 17) (W.D. Wis. 2014) ("Apple has stated that it is the policy of the company not to accept or consider proposals regarding licensing from outside entities * * * for any purpose, making initiation of this lawsuit a necessity.").

The new, practically insurmountable bar to enhanced damages thus improperly encourages a diminished respect for intellectual property rights.

IV. BUT IN DECIDING THIS CASE, THE COURT SHOULD NOT SET THE BAR TOO LOW

The Federal Circuit has set the bar for enhanced damages too high, and in light of *Octane*, *Highmark*, and *Commil*, Ericsson encourages the Court to reject the Federal Circuit's current approach to § 284.

Nevertheless, Ericsson encourages the Court to ensure that the new bar is not set too low.

A. District Courts Should Have a Standard to Guide the Enhancement of Damages

Ericsson expects that some *amici* will argue (with petitioners) that, because § 284 contains no explicit standard, the Court "should adhere to the plain meaning of the statute," and simply "leave the discretion to enhance damages in the capable hands of the district courts." *Seagate*, 497 F.3d at 1377 (Gajarsa, J., concurring). While district courts are certainly capable of exercising proper discretion in this area, Ericsson urges the Court not to reverse the Federal Circuit's current approach to § 284 without providing guidance as to the standard that must control the discretionary enhancement of damages.

As an initial matter, the Court has made clear that the fact that an award "is left to the district court's discretion * * * does not mean that no legal standard governs that discretion." *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 139 (2005). Indeed, "[a]lthough the text of the provision does not specify any limits upon the district courts' discretion * * *, in a system of laws discretion is rarely without limits." *Independent Fed'n of Flight Attendants v. Zipes*, 491 U.S. 754, 758-59 (1989). A discretionary determination is not subject to the district court's "inclination, but to its judgment; and its judgment is to be guided by sound legal principles." *Martin*, 546 U.S. at 139 (citation omitted). And these discretion-limiting legal principles are to be derived by the Court from the "large objectives" of the statutory provision at issue. *Id.* at 139-40.

In addition, the Court has also made clear that Congress is "presumed to be aware" of the judicial

background against which it legislates. *Lorillard v. Pons*, 434 U.S. 575, 580-81 (1978). And in contrast to the attorney-fee provision of § 285, as well as some of the other provisions of § 284—which were entirely new and carried no judicial gloss—the statutory provision for enhanced damages traces its lineage back to 1836. *Seagate*, 497 F.3d at 1368-69; 35 U.S.C. § 284; Act of Aug. 1, 1946, 60 Stat. 778; Patent Act of 1870, ch. 230, § 59, 16 Stat. 198, 207 (1870) ("the court may enter judgment thereon for any sum above the amount found by the verdict as the actual damages sustained, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs"); Patent Act of 1836, ch. 357, 5 Stat. 117 (1836) ("it shall be in the power of the court to render judgment for any sum above the amount found by such verdict * * * not exceeding three times the amount thereof, according to the circumstances of the case"); *cf. GM Corp. v. Devex Corp.*, 461 U.S. 648, 653-54 (1983) (noting that, regarding the prejudgment-interest provision in § 284, "the predecessor statute did not contain any reference to interest"). The extensive history of decisions interpreting these prior statutory provisions should inform the damages-enhancement standard adopted by the Court in this case. *GM*, 461 U.S. at 654; *Lorillard*, 434 U.S. at 580-81.

Thus, the fact that § 284 itself provides no explicit legal standard does not mean that enhancement is governed by no legal standard. And the fact that enhancement under § 284 is not limited to "exceptional" cases—as are attorney fee awards under § 285—does not mean that damages enhancement is subject to a lower standard, or to a broader discretion, than a fee award. It simply

means that the Court must look to the large objectives for enhancement, and to the historical judicial approach to enhancement, to find the legal principles that must control the district court's exercise of discretion in this context.

B. The Standard Should Advance the Punitive and Deterrent Purposes of Damages Enhancement

Ericsson expects that some *amici* will further argue (with petitioners) that the large objectives for and historical judicial approach to enhancement suggest a standard that encompasses both punitive *and* remedial purposes for damages enhancement.

To be sure, language in some of the decisional authority suggests that—at an earlier time—damages for patent infringement could be enhanced for remedial as well as punitive reasons. *Seagate*, 497 F.3d at 1378-79 (Gajarsa, J., concurring) (collecting cases); *Teese v. Huntingdon*, 64 U.S. 2, 9 (1860) ("[I]f, in the opinion of the court, the defendant has not acted in good faith, or has caused unnecessary expense and injury to the plaintiff, the court may render judgment for a larger sum, not exceeding three times the amount of the verdict."). Nevertheless, Ericsson encourages the Court to conclude that enhancement of patent-infringement damages under § 284 advances only punitive and deterrent purposes. And the standard adopted by the Court should advance only those purposes.

1. First, the relevant case law has long focused on punitive and deterrent purposes as the principal justification for the statutory enhancement of patent-infringement damages.

In *Seymour v. McCormick*, 57 U.S. 480 (1854), this Court noted that treble damages for patent infringement was once treated as "a horizontal rule

equally affecting all cases, without regard to their peculiar merits." *Id.* at 488. Thus, the "defendant who acted in ignorance or good faith * * * was made liable to the same penalty with the wanton and malicious pirate." *Id.* "This rule," the Court concluded, "was manifestly unjust. For there is no good reason why taking a man's property in an invention should be trebly punished, while the measure of damages as to other property is single and actual damages." *Id.* at 488-89. In order "to obviate this injustice," the 1836 statute committed the "power to inflict vindictive or punitive damages" to the "discretion and judgment of the court within the limit of trebling the actual damages found by the jury." *Id.* at 489.

The 1836 statute granted this punitive power with the provision that: "it shall be in the power of the court to render judgment for any sum above the amount found by such verdict * * * not exceeding three times the amount thereof, according to the circumstances of the case." Patent Act of 1836, ch. 357, 5 Stat. 117 (1836). That provision is the original predecessor to § 284, and this Court's explanation of the punitive purposes for enhancement in *Seymour* should inform a similar analysis in these appeals.

Other authority from this Court supports the conclusion that enhancement under § 284 is designed to advance punitive and deterrent purposes. *See Root v. Ry. Co.*, 105 U.S. 189, 196 (1882) ("[T]he Patent Act of 1836 confined the jury to the assessment of actual damages, leaving it to the discretion of the court to inflict punitive damages to the extent of trebling the verdict."); *Tilghman v. Proctor*, 125 U.S. 136, 143-44 (1888) ("[T]he court may, whenever the circumstances of the case appear to require it, inflict

vindictive or punitive damages, by rendering judgment for not more than thrice the amount of the verdict."); *Exxon Shipping Co. v. Baker*, 554 U.S. 471, 506-507 (2008) (listing § 284 as a punitive-damages provision).

The great weight of Federal Circuit precedent supports the same conclusion. *See Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570 (Fed. Cir. 1996) ("Because increased damages are punitive, the requisite conduct for imposing them must include some degree of culpability."); *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 831 (Fed. Cir. 1992) ("While dicta suggests that infringement damages may be enhanced solely by reason of misconduct during litigation, such dictum is contrary to our precedent that 'if infringement [is] * * * innocent, increased damages are not awardable for the infringement.'"); *Beatrice Foods Co. v. New Eng. Printing & Litho. Co.*, 923 F.2d 1576, 1579 (Fed. Cir. 1991) ("Under our cases, enhanced damages may be awarded only as a penalty for an infringer's increased culpability * * * Damages cannot be enhanced to award the patentee additional compensation to rectify what the district court views as an inadequacy in the actual damages awarded."); *Mathis v. Spears*, 857 F.2d 749, 754 (Fed. Cir. 1988) ("Provisions for increased damages * * * are available as deterrents to blatant, blind, willful infringement of valid patents."); *Rite-Hite*, 819 F.2d at 1125-26 ("an economic deterrent to the tort of infringement").

Other authority further confirms that damages enhancement "is triggered only when the infringer's conduct warrants an exemplary award." 7-20 Chisum on Patents § 20.03 (2015); *see also* S. Rep. No. 79-1503, at 2 (1946) ("[D]iscretion to award triple

damages, will discourage infringement of a patent by anyone thinking that all he would be required to pay if he loses the suit would be a royalty.")

2. Second, while some authority suggests that the 1836 statute might also have permitted enhancement for remedial purposes—when, for example, the actual damages alone were not adequate to compensate for the infringement—there is no longer any need for § 284 to play that role.

In the 1860 *Teese* decision, for example, the Court indicated that damages enhancement under the original statute might be appropriate if the infringer "caused unnecessary expense and injury" to the patentee. 64 U.S. at 9. But as Judge Gajarsa explained in his *Seagate* concurrence, the former division between law and equity meant that "actual damages provable at law—though not 'inadequate' in the equitable sense—could nevertheless be less than sufficient to compensate the patentee." 497 F.3d at 1378. Thus some need for enhancement of damages to play a remedial role used to exist. Significantly, the division between law and equity is no more, and the statute now explicitly requires that "[u]pon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement * * * " 35 U.S.C. § 284.

As the Federal Circuit noted in *Beatrice*, the "first paragraph [of § 284] requires that the damages be 'adequate to compensate for the infringement.' Where the infringer's own conduct prevented the patentee from accurately determining the damages, or made it more difficult for the patentee to do so, the district court may resolve all doubts against the infringer and determine damages on the best available evidence." 923 F.2d at 1579. Furthermore,

to the extent that the infringer's conduct causes "unnecessary expense" in the litigation, *Teese*, 64 U.S. at 9, those expenses may potentially be recoverable as attorney fees under § 285 or as sanctions under Rule 11, *Octane*, 134 S. Ct. at 1756; FED. R. CIV. P. 11.

There is thus no longer any pressing need—if there ever was one—to look to damages enhancement under § 284 for remedial purposes.

The "majority rule" has long been that an award of enhanced damages under § 284 is appropriate only to punish and deter culpable infringing conduct, *Seagate*, 497 F.3d at 1384 (Gajarsa, J., concurring), and Ericsson encourages the Court to maintain the line of authority stretching back to *Seymour*, 57 U.S. at 488-89. Permitting enhancement for remedial purposes sets the bar too low, and unfairly threatens to make the "defendant who acted in ignorance or good faith * * * liable to the same penalty as the wanton and malicious pirate." *Id.* at 488.

C. To Advance These Purposes, the Standard Should Require Willful or Bad-Faith Infringement—Including Knowledge of the Patent Combined With Culpable Conduct

To ensure that § 284 advances the proper punitive and deterrent purposes, the Court should hold, in line with many of its prior cases, that enhancement is appropriate for willful or bad-faith infringement. *See Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 508 (1964) ("[a patentee] could in a case of willful or bad-faith infringement recover punitive or 'increased' damages under the statute's trebling provision"); *Dowling v. United States*, 473 U.S. 207, 227 n.19 (1985) ("Among the available remedies are treble damages

for willful infringement."); *Teese*, 64 U.S. at 9 ("[If] the defendant has not acted in good faith, * * * the court may render judgment for larger sum, not exceeding three times the amount of the verdict."); *Seymour*, 57 U.S. at 488 (indicating that treble damages are appropriate for "wanton" or "malicious" infringement).

That was the Federal Circuit's longstanding rule decades before it began adding its many superfluous layers of gloss to the language of § 284. *See Yarway*, 775 F.2d at 277 ("It is well-settled that enhancement of damages must be premised on willful infringement or bad faith."); *Beatrice*, 923 F.2d at 1579 ("Enhanced damages may be awarded only as a penalty for an infringer's increased culpability, namely willful infringement or bad faith.").

The Court's cases suggest that this is a disjunctive test—willful *or* bad-faith infringement. *Aro*, 377 U.S. at 508. Ericsson nevertheless encourages the Court to confirm, as the Federal Circuit pointed out in *Jurgens*, that the bad faith at issue should be "related to the underlying act of infringement" and reflect on "the culpability of the infringer." 80 F.3d at 1570. It should, in short, constitute "bad faith infringement." *Id.* at 1571; *see also Aro*, 377 U.S. at 508. This is because "[o]nly a culpable infringer can be held liable for increased damages, not an innocent one." *Jurgens*, 80 F.3d at 1570-71; *see also Seymour*, 57 U.S. at 488-89 (rejecting treble damages for a "defendant who acted in ignorance or good faith").

It may be neither possible nor proper for the Court to fully delineate the contours of willful or bad-faith infringement in these appeals. But the Federal Circuit's pre-*Seagate* decisions in *Bott* and *Read*

provide a helpful starting point for the Court. Those cases list factors that may be considered, with "the totality of the circumstances," in "determining whether an infringer acted in [such] bad faith as to merit an increase in damages awarded against him." *Bott*, 807 F.2d at 1572; *Read*, 970 F.2d at 826. These factors include, most significantly: "(1) whether the infringer deliberately copied the ideas or design of another; [and] (2) whether the infringer, when he knew of the other's patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed." *Bott*, 807 F.2d at 1572; *Read*, 970 F.2d at 827.

These factors will doubtless require some revision to account for the Court's recent decisional authority. *Commil*, for example, suggests that—given the required presumption of patent validity—even a good-faith belief that a patent is invalid will not justify or excuse intentional infringement of the patent. 135 S. Ct. at 1928-29. Even so, there is no apparent reason that a good-faith belief that a patent is invalid cannot inform the district court's evaluation of the degree of culpability of a particular infringer's conduct. As the Federal Circuit wisely explained in *Read*: "[t]he paramount determination in deciding to grant enhancement and the amount thereof [should be] the egregiousness of the defendant's conduct based on all the facts and circumstances." 970 F.2d at 826.[2]

---

[2] Even when enhancement is appropriate under § 284, something less than treble damages may be awarded by the district court. "An award of enhanced damages for infringement, as well as the extent of the enhancement, is committed to the discretion of the trial court." *Read*, 970 F.2d at 826.

In Ericsson's view, this means that damages enhancement under § 284 should require, in addition to infringement, knowledge of the patent combined with culpable conduct. And in terms of culpable conduct, "[t]he standards of behavior by which a possible infringer evaluates adverse patents should be the standards of fair commerce, including reasonableness of the actions taken in the particular circumstances." *Seagate*, 497 F.3d at 1385 (Newman, J., concurring). The standards should further be consistent with the presumption of patent validity. *Commil*, 135 S. Ct. at 1928-29. But Ericsson agrees that "the fundamental issues [should remain] the reasonableness, or in turn the culpability, of commercial behavior that violates legally protected property rights." *Seagate*, 497 F.3d at 1385 (Newman, J., concurring); *Jurgens*, 80 F.3d at 1571.

D. With a Proper Standard in Place, the Federal Circuit's Additional Barriers to Enhancement Are Not Needed

Should the Court hold that damages enhancement under § 284 is appropriate for willful or bad-faith infringement, and that this standard in turn requires at least infringement, knowledge of the patent, and culpable conduct—that is, conduct that fails to reflect a reasonable respect for intellectual property rights—then the additional barriers to enhancement that the Federal Circuit has erected in *Seagate* and its progeny are not needed.

No objective-recklessness requirement .... Objective recklessness is certainly a sufficient condition for the award of enhanced damages under § 284, but it should not be a necessary condition. As Judge Newman presciently noted in her concurrence in *Seagate*: "It cannot be the court's intention to

tolerate the intentional disregard or destruction of the value of the property of another, simply because that property is a patent; yet the standard of 'recklessness' appears to ratify intentional disregard, and to reject objective standards requiring a reasonable respect for property rights." 497 F.3d at 1385 (Newman, J., concurring). The "objective recklessness" requirement has indeed come to ratify intentional disregard—the Federal Circuit has since held that, under this standard, an infringer actually intending to infringe is fully immunized from enhanced damages so long as its counsel can present a reasonable noninfringement or invalidity argument in the litigation. *Carnegie Mellon*, 2015 U.S. App. LEXIS 13622, at *36, 41-42. This virtually eliminates any genuine threat of enhancement in almost every case of infringement, and thus drastically undermines the deterrent effect of § 284.[3] *Rite-Hite*, 819 F.2d at 1125.

No clear-and-convincing requirement .... This Court's rejection of a clear-and-convincing standard of proof for § 285 determinations mandates a similar rejection of that standard of proof for § 284 determinations. *Octane*, 134 S. Ct. at 1758. Indeed, "patent-infringement litigation has always been governed by a preponderance of the evidence standard," and § 284—like § 285—"imposes no

---

[3] The Federal Circuit's recent focus on litigation-generated *invalidity* arguments as precluding a finding of objective recklessness for *infringement* also undermines the presumption of patent validity. *Carnegie Mellon*, 2015 U.S. App. LEXIS 13622, at *36; *Global Traffic*, 2015 U.S. App. LEXIS 9281, at *19-20; *Halo*, 769 F.3d at 1382-83; *Commil*, 135 S. Ct. 1928-29.

[different] evidentiary burden, much less such a high one" as the clear-and-convincing standard. *Id.*

Application of that high burden of proof is even further out of place in the § 284 context. With respect to patent litigation, the clear-and-convincing standard is implemented to protect the presumption of patent validity: prospective infringers must start with a presumption of validity, and prove otherwise with clear and convincing evidence. *Commil*, 135 S. Ct. at 1928-29. Applying the clear-and-convincing standard in this context flips the standard on its head—now infringers may effectively start with a presumption of invalidity, and, to be eligible for enhanced damages, patentees must prove that presumption unreasonable with clear and convincing evidence. *Seagate*, 497 F.3d at 1371; *Carnegie Mellon*, 2015 U.S. App. LEXIS 13622, at *36. This use of the clear-and-convincing evidentiary burden lessens the force of the presumption of validity "to a drastic degree." *Commil*, 135 S. Ct. at 1929.

No *de novo* review .... This Court's rejection of *de novo* review for § 285 determinations also mandates a similar rejection of *de novo* review for § 284 determinations. *Highmark*, 134 S. Ct. at 1748-49. Much like § 285, § 284 "emphasizes the fact that the determination is for the district court," and the enhancement "inquiry generally is, at heart, 'rooted in factual determinations.'" *Id.* at 1749 (citing *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 401 (1990)); *Bott*, 807 F.2d at 1572; *Rite-Hite*, 819 F.2d at 1126. Thus, as with § 285 award determinations, § 284 enhancement determinations should "be reviewed only for abuse of discretion." *Highmark*, 134 S. Ct. at 1748. That rule would accord with the Federal Circuit's longstanding approach to the issue—before

its abrupt about-face in 2012. *Rite-Hite*, 819 F.2d at 1126; *Bard*, 682 F.3d at 1007.

Nevertheless, the Federal Circuit's recent decision to review § 284 determinations *de novo* is perhaps the least troubling of its post-*Seagate* glosses on damages enhancement, and the appropriate standard of review may well depend on the substantive standard that the Court adopts in these appeals. Whatever standard of review the Court ultimately approves, however, it should remain true that legal errors are subject to correction on appeal: "A district court would necessarily abuse its discretion if it based its ruling on an erroneous view of the law * * *." *Cooter*, 496 U.S. at 405; *Highmark*, 134 S. Ct. at 1748.

CONCLUSION

For the reasons set forth above, in the *Halo* and *Stryker* appeals this Court should reject the Federal Circuit' many-layered gloss on § 284, which has erected a practically insurmountable bar to the award of enhanced damages. In particular, the Court should reject the Federal Circuit's application of an objective/subjective two-prong test for damages enhancement, as well as the Federal Circuit's holding that patentees must prove their entitlement to enhancement with clear and convincing evidence. Nevertheless, in rejecting the Federal Circuit's current approach to enhanced damages, the Court should ensure that the new bar is not set too low. In particular, the Court should articulate a standard to guide the district court's enhancement of damages. This standard should advance the punitive and deterrent purposes of damages enhancement, and should thus disjunctively require willful or bad-faith

infringement—including, in either case, knowledge of the patent combined with culpable conduct.

Enhancement of patent-infringement damages should be available under § 284 to encourage the presence, and to punish and deter the absence, of a reasonable respect for intellectual property rights.

Respectfully submitted,

Mike McKool, Jr.
Counsel of Record
McKool Smith, P.C.
300 Crescent Court, Suite 1500
Dallas, TX 75201
(214) 978-4900
mmckool@mckoolsmith.com

Joel L. Thollander
John B. Campbell
(Admission Pending)
McKool Smith, P.C.
300 W. 6th Street, Suite 1700
Austin, TX 78701
(512) 692-8700
jthollander@mckoolsmith.com
jcampbell@mckoolsmith.com

DECEMBER 2015